Financial Statements of

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Year ended March 31, 2008

VIRTUS GROUP

Chartered Accountants & Business Advisors LLP

AUDITORS' REPORT

To: Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation** as at March 31, 2008 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of **Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation** as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Virtus Group LLP

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May 7, 2008

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Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

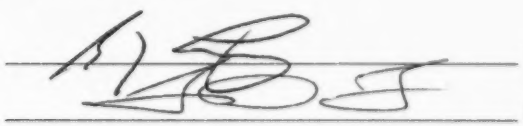
Statement of Financial Position

March 31, 2008 with comparative figures for 2007

	2008	2007
Financial assets:		
Cash	$ 6,029,313	$ 4,282,268
Accrued interest and other receivables	790,554	726,854
Due from Western Canada Lottery - Saskatchewan Division Inc.	8,182,744	10,042,487
Investments (note 3)	39,712,366	33,372,053
	54,714,977	48,423,662
Liabilities:		
Accounts payable	58,376	29,361
Due to Province of Saskatchewan - General Revenue Fund	911,180	1,593,701
Grants payable (note 4)	21,176,143	19,988,216
	22,145,699	21,611,278
Net financial assets	32,569,278	26,812,384
Restricted trust fund balances (Schedule 1)	$ 32,569,278	$ 26,812,384

See accompanying notes to financial statements.

On behalf of the Board:



Director

Director

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Operations

Year ended March 31, 2008 with comparative figures for 2007

	Budget 2008 (note 8)	2008	2007
Transfer of net lottery profits from Western Canada Lottery - Saskatchewan Division Inc. (Schedule 2)	$ 39,095,706	$ 47,732,466	$ 49,565,180
Less directed payments: (note 5)			
Federal Government payment	1,848,700	1,795,216	1,803,703
Former distributors	1,483,600	1,480,000	1,477,280
Other license directed payments	275,000	275,000	275,000
Payment to the Province of Saskatchewan - General Revenue Fund	5,112,500	5,662,680	5,458,701
Saskatchewan Association of Agricultural Societies and Exhibition Associations	310,000	310,000	310,000
	9,029,800	9,522,896	9,324,684
Lottery profits after directed payments	30,065,906	38,209,570	40,240,496
Investment income	1,227,500	1,980,864	1,761,625
Less administration expenses (Schedule 3)	496,750	478,035	494,485
Funds available to provide grants	30,796,656	39,712,399	41,507,636
Less grants	35,121,345	33,955,505	33,925,324
(Decrease)/increase in restricted trust fund balances	(4,324,689)	5,756,894	7,582,312
Restricted trust fund balances, beginning of year	26,812,384	26,812,384	19,230,072
Restricted trust fund balances, end of year	$ 22,487,695	$ 32,569,278	$ 26,812,384

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Cash Flows

Year ended March 31, 2008 with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Increase in restricted trust fund balances	$ 5,756,894	$ 7,582,312
Net change in non-cash working capital items:		
Accrued interest and other receivables	(63,700)	(310,575)
Due from Western Canada Lottery - Saskatchewan Division Inc.	1,859,743	(1,658,147)
Accounts payable	29,015	1,976
Due to Province of Saskatchewan - General Revenue Fund	(682,521)	775,760
Grants payable	1,187,927	4,071,789
	8,087,358	10,463,115
Investing activities:		
Purchase of investments	(39,039,836)	(97,159,413)
Proceeds from disposal of investments	32,699,523	86,518,930
	(6,340,313)	(10,640,483)
Increase/(decrease) in cash during the year	1,747,045	(177,368)
Cash, beginning of year	4,282,268	4,459,636
Cash, end of year	$ 6,029,313	$ 4,282,268

See accompanying notes to financial statements.

1. **Nature of operations:**

The Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (the Trust) was established in 1973 and is continued pursuant to the *Interprovincial Lotteries Act 1984* and an agreement between the Minister of Tourism, Parks, Culture and Sport for the Province of Saskatchewan and Sask Sport Inc. Under the terms of the agreement, Sask Sport Inc. has been designated as the provincial marketing organization to sell Western Canada Lottery Corporation lottery tickets in Saskatchewan. Sask Sport Inc. has established the Western Canada Lottery - Saskatchewan Division Inc. to market, and Sask Sport Distributors Inc. to distribute these tickets on its behalf.

The agreement requires that the net lottery profits (detailed in Schedule 2) are transferred to the Trust and allocated to sport, culture and recreation. The profits (allocated 50% to sport, 35% to culture and 15% to recreation) are restricted for granting to eligible organizations designated by the Minister of Tourism, Parks, Culture and Sport for the Province of Saskatchewan. Each of these three sections contributes funds to the Saskatchewan Lotteries Community Grant Program in the same percentage as above; and to the Saskatchewan Lotteries Community Development Fund as follows: 40% by sport, 30% by culture and 30% by recreation. The sport section alone contributes funds to the Canada Games Program.

The lottery agreement also requires Sask Sport Inc., as designated provincial marketing organization for lottery tickets, to pay out of the Trust directed payments as described in note 5.

2. **Significant accounting policies:**

The Trust uses generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB).

Basis of accounting and use of estimates:

The preparation of financial statements in accordance with the PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current earnings when identified.

Investments:

Investments are recorded at amortized cost, less any provisions for permanent impairment in value.

2. Significant accounting policies (continued):

Grant expense and directed payments:

Grants are recorded by the Trust when a completed grant application is received from an eligible organization, the application is approved by the Trust and all criteria have been met by the applicant. Directed payments are recognized by the Trust as required by the lottery agreement.

Revenue recognition:

Lottery profits are recognized by the Trust in the period they are earned by the Western Canada Lottery – Saskatchewan Division Inc. Investment income is recognized in the period earned. Premiums and discounts on bond investments are amortized to income using the effective interest method.

3. Investments:

Investments at March 31 consist of:

	2008		2007	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Guaranteed Investment Certificates and Bankers Acceptances	$36,103,860	$36,901,712	$29,813,618	$30,535,751
Province of Saskatchewan Bond	-	-	70,000	71,629
Brandes Global Equities Fund	243,881	152,984	213,084	202,871
CC&L Canadian Equity Funds	3,364,625	3,420,476	3,275,351	3,958,509
	$39,712,366	$40,475,172	$33,372,053	$34,768,760

Guaranteed investment certificates and bankers acceptances mature between June 30, 2008 and March 1, 2010 (2007 – April 22, 2007 and February 14, 2009) and have effective interest rates ranging from 4.05% to 5.10% (2007 – 4.10% to 4.70%). Brandes Global Equities Fund and Connor Clark and Lunn Canadian Equity Funds use pooled funds consisting of managed equities with no specified rate of return or maturity. Market values are the values quoted by the applicable market on March 31, 2008.

4. Grants payable:

	2008	2007
Community Grant Programs	$ 6,017,861	$ 6,670,724
Culture	2,837,918	2,395,375
Recreation	1,261,510	1,088,298
Sport	11,058,854	9,833,819
	$ 21,176,143	$ 19,988,216

5. Directed payments:

Under the terms of the lottery agreement, which expires on March 31, 2009, with the Minister of Tourism, Parks, Culture and Sport for the Province of Saskatchewan, the Trust is required to make the following payments to:

- the Federal Government which, under an agreement dated September 23, 1979 with the Interprovincial Lottery Corporation, withdrew from the lottery field in exchange for $24,000,000 annually, in 1979 dollars. Saskatchewan's share of this payment, for the year ended March 31, 2008, was $1,795,216 (2007 - $1,803,703).
- Sask Sport Distributors Inc. to cover the distributor payments made to those volunteer non-profit organizations that previously acted as ticket distributors. This amounted to $1,480,000 (2007 - $1,477,280) during the current year. Of this amount, Sask Sport Inc., as a former ticket distributor, received $358,560 (2007 - $358,560) during the current year.
- the General Revenue Fund of the Province of Saskatchewan in the amount of 3% (up to $140 million) and 9.5% (over $140 million) of net lottery ticket sales less a directed payment to the Mackenzie Art Gallery of $275,000 (2007 - $275,000). During the current year $5,662,680 (2007 - $5,458,701) was paid.
- the Saskatchewan Association of Agricultural Societies and Exhibition Associations in the amount of $310,000 (2007 - $310,000) for the current year.

6. Related party transactions:

Sask Sport Inc., as a sport federation, received grants from the Trust of $1,138,638 (2007 - $979,761) during the current year, to provide programs and services to its member sport organizations. Sask Sport Inc. also received $11,413 (2007 - $12,119) as a fee for providing office equipment for use during the current year.

The Administration Centers for Sport, Culture and Recreation (1989) Inc., a wholly owned subsidiary of Sask Sport Inc., provides office space and administrative services for non-profit sport, culture and recreation associations and received a grant from the Trust of $300,000 (2007 - $300,000) during the current year. In addition, the Trust paid to the Administration Centers for Sport, Culture and Recreation (1989) Inc. $42,645 (2007 - $40,538) for office space and services.

These financial statements include transactions with related parties. The Trust is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Trust is related to non-Crown enterprises that the Government jointly controls or significantly influences.

6. Related party transactions (continued):

These transactions are in the normal course of operations and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. Other related party transactions and amounts due to/from are disclosed separately in these financial statements.

7. Financial instruments and risks:

Fair value:

The recorded value of receivables classified as loans and receivables, and payables classified as other liabilities, approximates their fair value.

Credit and interest rate risk:

The Trust is not subject to significant credit risk. The Trust may be subject to significant interest rate risk relative to certain investments described in Note 3. To mitigate the effects of interest rate changes the Trust applies investing policies that address portfolio mix, maturities, and liquidity.

8. Budget:

The original budget was approved by the Board of Sask Sport Inc. on March 21, 2007. Revisions to the budget were approved by the Board November 21, 2007.

9. Comparative information:

In 2007-08, the Trust changed accounting policy from Canadian generally accepted accounting principles to accounting principles recommended by the PSAB. Prior year presentation has been restated to conform to the current year change in accounting policy.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Schedule 1 - Restricted Trust Fund Balances

Year ended March 31, 2008 with comparative figures for 2007

	Restricted trust fund balances, beginning of year	Allocation of funds available to provide grants	Grants approved - net of returns	(Decrease)/ increase in funds	Restricted trust fund balances, end of year
Canada Games	$ 2,596,901	$ 750,000	$ (1,439,347)	$ (689,347)	$ 1,907,554
Community Development	100,404	2,736,700	(1,661,300)	1,075,400	1,175,804
Community Grant	977,172	3,978,500	(3,728,618)	249,882	1,227,054
Culture	8,387,844	11,685,855	(9,853,975)	1,831,880	10,219,724
Recreation	4,399,326	4,539,075	(4,442,987)	96,088	4,495,414
Sport	10,350,737	16,022,269	(12,829,278)	3,192,991	13,543,728
Total 2008	$ 26,812,384	$ 39,712,399	$(33,955,505)	$ 5,756,894	$ 32,569,278
Total 2007	$ 19,230,072	$ 41,507,636	$(33,925,324)	$ 7,582,312	$ 26,812,384

Schedule 2 - Net Lottery Profits

Year ended March 31, 2008 with comparative figures for 2007

	Budget 2008 (note 8)	2008	2007
Lottery ticket sales	$152,500,000	$158,291,371	$156,144,220
Revenue and expense items paid by the Western Canada Lottery Corporation:			
Prizes	(84,948,000)	(84,585,840)	(81,540,483)
Administration and ticket printing	(15,381,400)	(13,747,737)	(12,951,018)
Retailer commissions	(8,942,000)	(8,985,159)	(8,871,408)
Federal and provincial taxes	(1,406,700)	(1,295,086)	(1,434,430)
Investment income	210,000	660,610	589,390
Lottery profits transferred from the Western Canada Lottery Corporation	42,031,900	50,338,159	51,936,271
Provincial interest and other income	210,400	193,263	248,847
Provincial distribution expenses (note 1)	(1,918,134)	(1,780,664)	(1,665,256)
Provincial marketing expenses (note 1)	(1,228,460)	(1,018,292)	(954,682)
Net lottery profits	$ 39,095,706	$ 47,732,466	$ 49,565,180

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Schedule 3 - Administration Expenses

Year ended March 31, 2008 with comparative figures for 2007

	Budget 2008 (note 8)	2008	2007
Salaries and benefits	$ 340,770	$ 353,942	$ 347,246
Professional fees	58,200	38,987	50,532
Rent	27,410	27,268	26,767
Equipment expense	12,380	11,413	12,120
Office supplies	10,500	8,771	12,836
Travel and training	9,030	8,413	9,850
Printing	8,900	5,941	6,876
Postage	5,000	5,653	4,554
Telephone	7,420	5,565	8,173
Insurance	3,940	3,783	4,292
Committee meetings	6,300	3,484	5,760
Goods and services tax	4,400	3,470	4,461
Repairs and maintenance	2,500	1,345	1,018
Total administration expenses	$ 496,750	$ 478,035	$ 494,485

See accompanying notes to financial statements.